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Mr Tim Barrow
High Speed Two Ltd
55 Victoria Street
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Dear Tim,

Property Blight from HS2: Pilot Study

Further to our discussion on 22 May, I attach a copy of our property blight study.

I discussed how issues of confidentiality might be addressed in the context of a public consultation with Phil Graham, and he suggested a particular approach. We remained concerned about the possibility of details of private individuals and their properties being accessed through Freedom of Information requests, and have adopted a slightly different approach. We have put the information on individuals in an annex that would not be submitted as part of the consultation, but is available on request for DfT to assess.

Due to the time and resources available, the results of this pilot study are not statistically robust. However it does establish some important conclusions:

- Blight is extensive, with substantial evidence of properties affected on routes 3 and 2.5
- The responses of some institutions involved in the selling process, is re-enforcing and spreading the blight
- Most properties, including those suffering large losses in value (greater than 20%), would not be covered by the Exceptional Hardship Scheme as they are not in the immediate 'vicinity of the line'.
- It is practicable to do a larger-scale study on property blight that can overcome many of the weaknesses (including bias) of the current study, and we have sufficient support to proceed.

Extent and degree of blight

Properties in the immediate vicinity of route 3 are not selling, there is minimal interest from vendors, and some sales that were in train on 11 March 2010 have fallen through.

For properties in the general vicinity of routes 3 and 2.5 there is evidence of both reduced market interest and reduced prices for those few sales being achieved. To date we have not collected much evidence for properties on route 4.

Properties up to 1 to 1.5 miles from the proposed routes may have their values affected. Typically sales have occurred with a 15-30% discount, and advertised prices have been similarly reduced.

Institutional response

There is a surprising lack of uniformity in Local Authority responses to search requests. Buckinghamshire councils now inform solicitors about proximity to any of the three routes and provide a link to the HS2 web site, while others, for example Warwickshire and Camden do not regard any of the routes as qualifying as a 'proposed railway'. However, solicitors and surveyors are aware of HS2, and can normally be expected to remedy such non-provision.

Crucially mortgage lenders regard HS2 as a risk to property values, and some lenders have guidelines to prevent exposing themselves to the risk of negative equity arising. This is in the form of instructing surveyors to take into account the potential adverse effect of HS2 on property prices for any property within 1 to 1.5 miles of any proposed route. Broadly the distance relates to whether HS2, if built on that route, might be heard or seen.

We understand that lenders are particularly concerned if the proposed mortgage would represent a high proportion of the value of a property.

Lenders, surveyors and solicitors also tend to subscribe to the view that the final route is likely to differ from the currently published ones, and hence caution is required for properties that might become near a route, should it move.

Clearly the behaviour of the lenders and supporting professionals is itself spreading blight, though producing valuations discounted because of the risk of HS2 over very wide areas.

You will no doubt appreciate that a guarantee to protect property values on whatever route is finally selected would actually eliminate this cause of blight.

Feasibility of full study

In conducting this study we have determined how a comprehensive and statistically robust approach could be made, in particular by using GIS software that the Chiltern Society have acquired, that would allow systematic analysis of sales activity and prices, and with the co-operation of estate agents.

When we met on 22 May, we discussed the Interdepartmental Working Group on Property Blight, and why it failed to recommend a scheme such as the Central Railway one. We have subsequently had discussions with one of the participants on the Working Group, who clarified this for us. Apparently the group were enthusiastic about the Central Railway approach and saw it as the right way for a private company (and this no doubt explains DfT's support for the BAA scheme), but not however for government due to concerns about cost and affordability.

As we discussed at our meeting with you, a discretionary (non-statutory) scheme gives government the opportunity to try arrangements without incurring a wider commitment. The status of HS2 Ltd as a business rather than part of government may be useful in this context.

Yours sincerely

Hilary Wharf
HS2 Action Alliance